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November 26, 2002

***EX PARTE* PRESENTATION**

The Honorable Michael K. Powell  
Chairman  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW, Room 8 B201  
Washington, DC 20554

The Honorable Kathleen Q. Abernathy  
Commissioner  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW, Room 8 B115  
Washington, DC 20554

The Honorable Michael Copps  
Commissioner  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW, Room 8 A302  
Washington, DC 20554

The Honorable Kevin Martin  
Commissioner  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW, Room 8 A204  
Washington, DC 20554

**Re: Federal-State Joint Board on Universal Service, CC Docket Nos. 96-45,  
98-171, 90-571, 92-237, 99-200, 95-200, 95-116, 98-170 and NSD File No. L-00-72**

Dear Commissioners:

Last month, the United States Telecom Association (USTA) made several *ex parte* presentations to you, your legal advisors, the Wireline Competition Bureau Chief, the Telecommunications Access Policy Division Acting Chief, and other Federal Communications Commission (Commission or FCC) staff regarding USTA's proposed interim plan regarding universal service contribution methodology.

Recently, USTA has advocated for an interim contribution methodology based on interstate end-user revenues as a contribution base, using a "collect and remit" approach in order to mitigate the impacts of the current revenues-based contribution methodology on certain carriers. The interim methodology will provide the FCC additional time to develop an adequate record to allow for the adoption of a lawful long-term contribution methodology. Because a

number of parties to the proceeding, and the Commission itself, have attached particular meanings to "collect and remit," USTA thought it important to make clear what collect and remit means in the context of its interim universal service contribution proposal. The attached document provides USTA's definition of collect and remit as intended in its interim plan.

Please feel free to contact me at (202) 326-7300 if you have any questions regarding USTA's definition of "collect and remit" as explained in the attached document.

Sincerely,

A handwritten signature in dark ink, reading "Lawrence E. Sarjeant". The signature is fluid and cursive, with the first name "Lawrence" and last name "Sarjeant" clearly legible. There is a small blue mark or ink smudge near the end of the signature.

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Lawrence E. Sarjeant  
Vice President, Law &  
General Counsel

cc: Christopher Libertelli  
Matthew Brill  
Jordan Goldstein  
Daniel Gonzalez  
William Maher  
Eric N. Einhorn

Attachment

## COLLECT AND REMIT

With the approval of the USTA Board of Directors Executive Committee, USTA has recently advocated that the Federal Communications Commission (FCC) adopt an interim universal service contribution methodology regime while the FCC continues to examine the creation of a long-term contribution regime. The interim contribution methodology does not supercede the positions taken by USTA in its comments and reply comments filed in the contributions proceeding on April 22, 2002, and May 13, 2002, respectively. USTA supported the BellSouth-SBC joint connections proposal, with certain qualifications, that was then before the FCC. USTA's interim universal service proposal, among other things, urges the FCC to use a **"collect and remit"** system whereby USAC would set the quarterly contribution percentage based on projected fund needs and projections of collected revenues. Carriers would then remit payments based on the USAC contribution percentage applied to carrier interstate retail revenues.

### **"Collect and Remit" Defined:**

As intended by USTA in its interim universal service contribution proposal, "collect and remit" is a methodology whereby interstate, retail revenues "collected" for a period<sup>1</sup> are determined using billed interstate, retail charges for that period, adjusted by a carrier-specific factor to account for typical non-collectible amounts during such a period.<sup>2</sup> USAC sends a monthly invoice to each contributing carrier, on which each carrier inserts its billed interstate retail revenue amount for a month; its carrier-specific retail uncollectible factor; its adjusted, billed interstate retail revenue (*i.e.*, its collected interstate retail revenue, which the carrier calculates by multiplying its billed interstate retail revenue times its uncollectible factor and subtracting the product from the billed interstate retail revenue); and the resulting amount that the carrier remits (*i.e.*, an amount derived from the carrier's calculation of multiplying the adjusted, billed interstate retail revenue times the USAC contribution percentage). USAC sends the monthly invoice on the first of each month for the obligation owed by the carrier for the previous month (e.g., on May 1, USAC sends an invoice for the month of April). The carrier submits to USAC the completed invoice with its remittance at the end of the same month in which the invoice was mailed (e.g., on May 31, the carrier submits the completed invoice and remittance for the invoice mailed on May 1).<sup>3</sup>

It is assumed that the non-collectible factor will be reported to USAC at least quarterly. Contributors may determine the factor annually. USAC should have the authority to request data from a contributor in order to test the reasonableness of a contributor's non-collectible factor when a

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<sup>1</sup> At the option of each contributor, this period may be quarterly or monthly.

<sup>2</sup> USTA notes that its definition of "collect and remit" as contemplated in its interim universal service contribution proposal is not made with reference to any other definition of "collect and remit" contemplated by the FCC or any other party. USTA's definition of "collect and remit" stands on its own.

<sup>3</sup> Contributors that elect to report adjusted revenue quarterly will be billed monthly by USAC and will remit payments to USAC monthly. USAC would divide the reported quarterly adjusted revenue in thirds and bill one third each month. The monthly amount owed for carriers reporting quarterly would be based on the interstate retail revenue reported two quarters prior to the current quarter (e.g., monthly amounts owed for April, May, and June 2003 would be based on revenue reported in the fourth quarter of 2002). Contributors that elect to report adjusted revenue monthly will report the revenue and make appropriate payment based on that month's revenue to USAC 30 days after the month ends.

submitted factor appears to be materially inconsistent with the factors of other contributors with similar sources of interstate retail revenues.

It is assumed that carriers electing to report revenues quarterly will be able to do so using information from the existing Form 499 Revenue Report that is filed quarterly.

Adjusted interstate retail revenue data should be trued-up annually like the quarterly 499 Report is trued-up on the 499-A each year.